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**PRESBYTERY OF SOUTH LOUISIANA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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A Professional Accounting Corporation

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**CONSOLIDATED FINANCIAL STATEMENTS**  
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**INDEPENDENT AUDITORS' REPORT**

Council of the Presbytery of South Louisiana  
Baton Rouge, Louisiana

We have audited the accompanying consolidated statements of financial position of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The December 31, 2010 financial statements were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Presbytery of South Louisiana and its Subsidiaries as of December 31, 2011 and 2010, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the Presbytery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 15 through 17 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 13, 2012

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2011 and 2010**

**ASSETS**

	<b><u>2011</u></b>	<b><u>2010</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 490,243	\$ 161,917
Restricted cash	1,155,962	1,783,186
Investments	119,903	119,292
Accounts receivable	240,725	14,449
Total current assets	<u>2,006,833</u>	<u>2,078,844</u>
<b><u>NON-CURRENT ASSETS</u></b>		
Investments	828,423	872,458
Other assets	23,276	46,881
Property and equipment, net	1,689,624	1,791,414
Property - held for sale	-	342,140
Total non-current assets	<u>2,541,323</u>	<u>3,052,893</u>
Total assets	<u>\$ 4,548,156</u>	<u>\$ 5,131,737</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 136,077	\$ 53,611
Other liabilities	2,378	774
Total current liabilities	<u>138,455</u>	<u>54,385</u>
<b><u>NET ASSETS</u></b>		
Unrestricted, undesignated	1,308,914	1,658,287
Unrestricted, internally designated	1,916,420	1,607,533
Total unrestricted	<u>3,225,334</u>	<u>3,265,820</u>
Temporarily restricted	1,155,962	1,783,186
Permanently restricted	28,405	28,346
Total net assets	<u>4,409,701</u>	<u>5,077,352</u>
Total liabilities and net assets	<u>\$ 4,548,156</u>	<u>\$ 5,131,737</u>

The accompanying notes are an integral part of these statements.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<b>2011</b>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Revenues:</u></b>				
United Mission support	\$ 267,362	\$ -	\$ -	\$ 267,362
Per capita assessments	144,338	-	-	144,338
Contributions	67,692	244,689	-	312,381
Investment income (loss)	21,425	8,901	59	30,385
Hurricane recovery	-	1,428,985	-	1,428,985
Change in unrealized gain on investments	(16,436)	-	-	(16,436)
Gain on sale of property	33,891	-	-	33,891
Other	212,443	-	-	212,443
Total revenues	<u>730,715</u>	<u>1,682,575</u>	<u>59</u>	<u>2,413,349</u>
Net assets released from restrictions	<u>2,309,799</u>	<u>(2,309,799)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>3,040,514</u>	<u>(627,224)</u>	<u>59</u>	<u>2,413,349</u>
<b><u>Expenses:</u></b>				
Program services	370,391	-	-	370,391
Support services	361,648	-	-	361,648
Hurricane recovery	2,130,051	-	-	2,130,051
Other retreat expenses	218,910	-	-	218,910
	<u>3,081,000</u>	<u>-</u>	<u>-</u>	<u>3,081,000</u>
Change in net assets	(40,486)	(627,224)	59	(667,651)
Net assets at the beginning of year	<u>3,265,820</u>	<u>1,783,186</u>	<u>28,346</u>	<u>5,077,352</u>
Net assets at the end of year	<u>\$ 3,225,334</u>	<u>\$ 1,155,962</u>	<u>\$ 28,405</u>	<u>\$ 4,409,701</u>

The accompanying notes are an integral part of these statements.

**2010**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 395,435	\$ -	\$ -	\$ 395,435
95,465	-	-	95,465
301,645	202,683	-	504,328
(12,604)	33,651	364	21,411
-	1,439,037	-	1,439,037
73,472	-	-	73,472
38,139	-	-	38,139
211,454	-	-	211,454
<u>1,103,006</u>	<u>1,675,371</u>	<u>364</u>	<u>2,778,741</u>
<u>1,846,164</u>	<u>(1,846,164)</u>	<u>-</u>	<u>-</u>
<u>2,949,170</u>	<u>(170,793)</u>	<u>364</u>	<u>2,778,741</u>
469,389	-	-	469,389
581,270	-	-	581,270
1,587,248	-	-	1,587,248
230,564	-	-	230,564
<u>2,868,471</u>	<u>-</u>	<u>-</u>	<u>2,868,471</u>
80,699	(170,793)	364	(89,730)
<u>3,185,121</u>	<u>1,953,979</u>	<u>27,982</u>	<u>5,167,082</u>
<u>\$ 3,265,820</u>	<u>\$ 1,783,186</u>	<u>\$ 28,346</u>	<u>\$ 5,077,352</u>

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (667,651)	\$ (89,730)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	139,477	149,919
Change in unrealized gain on investments	16,436	(73,472)
Gain on sale of property and equipment	33,891	-
Donated assets	(37,616)	-
Change in accounts receivable and other assets	(202,671)	17,370
Change in accounts payable, accrued payroll taxes and withholdings, and other liabilities	84,070	(165,161)
Net cash used in operating activities	<u>(634,064)</u>	<u>(161,074)</u>
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(71)	(91,470)
Proceeds from sale of property	308,249	284,999
Purchases of investments	(60,115)	(794,518)
Proceeds from sales of investments	87,103	672,118
Payments received on note receivable	-	1,425
Net cash provided by investing activities	<u>335,166</u>	<u>72,554</u>
 Net decrease in cash and cash equivalents	(298,898)	(88,520)
 Cash and cash equivalents - beginning of year	<u>1,945,103</u>	<u>2,033,623</u>
 Cash and cash equivalents - end of year	<u>\$ 1,646,205</u>	<u>\$ 1,945,103</u>

The accompanying notes are an integral part of these statements.



**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

The accounting and reporting policies of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery) conform to accounting principles generally accepted in the United States of America and the prevailing practices within the not-for-profit industry. The Presbytery's subsidiaries are the Presbytery of South Louisiana Feliciana Retreat Center, the Presbytery of South Louisiana Receiving Agency, the Presbytery of South Louisiana Hurricane Recovery, the Presbytery of South Louisiana Peace Church, and the Presbytery of South Louisiana Young Adult Volunteer Program. All significant intercompany accounts and transactions have been eliminated. A summary of significant accounting policies is as follows:

**Organization**

The Presbytery consists of all churches and ministers of the Word and Sacrament in South Louisiana and is a corporate extension of these churches and ministers. The Presbytery is responsible for the mission and government of the churches throughout South Louisiana.

The Retreat Center provides a retreat setting with facilities for workshops and conferences, a summer camping program, and various specialized programs throughout the year in an attempt to nurture and revitalize the Christian growth of individuals and the mission of the churches.

The Receiving Agency acts as an intermediary between various Presbyterian agencies. The primary function of the Receiving Agency is to collect donations and other support and remit those monies to the proper agency. Accordingly, a liability to the specified beneficiary is recognized when cash is received. In November 2010, the activities of the Receiving Agency were moved to the Presbytery.

The South Louisiana Hurricane Recovery provides recovery efforts to areas impacted by Hurricanes Katrina, Rita, Gustav and Ike. Its primary focus is to help re-establish area churches and congregations. The Presbytery of South Louisiana voted in October 2011 to create a separate corporation and transfer Hurricane Disaster Recovery operations to that entity which would be called Project Homecoming, Inc. Project Homecoming, Inc. received their non-profit corporate charter and filed for 501(c)(3) tax exempt status in April 2010. It was originally expected the spin-off would occur in the last quarter of 2010. Until that time Project Homecoming, Inc. conducted no business activities and Hurricane Disaster Recovery operations continued in the Presbytery of South Louisiana with no change in function. Hurricane Disaster Recovery began to use the business name Project Homecoming in anticipation of the spin-off. The Project Homecoming, Inc. 501(c)(3) approval was received in August 2011. There was no impact on the 2011 financial statements or operations. See Note 15 for additional information regarding the spin-off of Project Homecoming.

The Young Adult Volunteer Program offers opportunities in Christian service and learning for young adults between the ages of 19 to 30 in areas of need. The program responds to the realities of disaster in the lives of individuals and communities by allowing agencies and congregations in the greater New Orleans area to receive the assistance and skills of Young Adult Volunteers.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

**Income taxes**

The Presbytery is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Louisiana Revenue and Taxation Code Section 17.22(a). Accordingly, no provision for income taxes has been made; however, should the Presbytery engage in activities unrelated to the purpose for which it was created, taxable income could result. The Presbytery had no material unrelated business income for the years ending December 31, 2011 and 2010.

In Management's judgment, the Church does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Property and equipment**

Property and equipment are stated at historical cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation are computed using the straight-line method, based on the estimated useful lives of the assets which range from 3 to 30 years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are recognized as income for that period.

In accordance with FASB ASC relating to accounting for the impairment or disposal of long-lived assets, an asset is determined to be impaired if the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the assets exceeds its fair value.

**Investments**

Investments are stated at fair value (see Notes 10 and 11). Unrealized gains and losses are recorded in current year operations as increases or decreases in unrestricted net assets. Dividend, interest and other investment income is recorded as an increase in unrestricted net assets unless the use is restricted by the donor.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies** (continued)

**Donor restrictions**

The Presbytery accounts for contributions in accordance with FASB ASC relating to accounting for contributions received and contributions made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Presbytery in perpetuity.

Grants for fee income are recorded as unrestricted net assets in the Statements of Activities. All grantee-restricted support is reported as an increase in temporarily restricted net assets in the Statements of Activities. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions on the Statements of Activities.

The Presbytery reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Presbytery reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Presbytery received \$37,616 of donated equipment from the Presbyterian Church USA during the year ended December 31, 2011.

**Allowance for uncollectible accounts**

An allowance for uncollectible accounts is established based on prior experience and management's assessment of collectability. Receivables are closely monitored during the year, and all accounts considered to be uncollectible are written-off when such conclusions are reached. As of December 31, 2011 and 2010, all accounts were considered collectible; therefore, no allowance for uncollectible accounts has been established.

**Statements of cash flows**

For purposes of the statements of cash flows, cash and cash equivalents includes all restricted and unrestricted checking accounts, savings accounts, and amounts invested in money market accounts.

**Insurance proceeds**

Insurance proceeds are recognized as income in the year the insurance claim is settled.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2. **Property and Equipment**

Property and equipment consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 500,456	\$ 500,456
Buildings	2,295,366	2,295,366
Furniture and equipment	<u>605,736</u>	<u>568,049</u>
	3,401,558	3,363,871
Less: accumulated depreciation	<u>( 1,711,934)</u>	<u>( 1,572,457)</u>
	<u>\$ 1,689,624</u>	<u>\$ 1,791,414</u>

3. **Internally Designated Net Assets**

The Presbytery designated a portion of its unrestricted net assets for the following programs at December 31, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Church Development Fund	\$ 847,221	\$ 520,824
Denham Springs Church Fund	81,384	81,942
Peace Church Fund	919,783	948,910
2004 PEP Fund	4,897	4,823
Office Maintenance Fund	25,814	25,815
Other Internally Designated Net Assets	<u>37,321</u>	<u>25,219</u>
	<u>\$ 1,916,420</u>	<u>\$ 1,607,533</u>

4. **Permanently Restricted Net Assets**

Permanently restricted net assets consisted of the following at December 31, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
The Bloomfield Fund	\$ 12,818	\$ 12,785
Roberta H. Browning Fund	12,722	12,696
Presbytery Endowment Fund	<u>2,865</u>	<u>2,865</u>
	<u>\$ 28,405</u>	<u>\$ 28,346</u>

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2011 and 2010, respectively, were available for the following programs:

	<u>2011</u>	<u>2010</u>
Leona Crawford Fund	\$ 9,377	\$ 9,377
Storm Recovery	20,477	20,477
Young Adult Volunteer Fund	60,272	44,142
Ann Cook Campbell Fund	63,815	77,704
Cuba Partnership Fund	6,729	11,455
PSL - Disaster Operations	99,023	99,438
History of Presbyterianism in South Louisiana Fund	32,349	31,857
Hurricane Recovery	516,641	1,217,708
New Pentecost Fund	6,141	6,048
Preparation for Ministry Fund	54,608	57,315
Texas Foundation for New Orleans Campus Ministry Fund	109,181	106,317
Urban New Church Development Fund	22,005	22,459
Grand Bayou Families Grant	14,207	13,991
Feliciania Retreat Center Worship Center	2,336	2,106
Church Development Western Area	36,022	-
Other Temporarily Restricted Net Assets	102,779	62,792
	<u>\$ 1,155,962</u>	<u>\$ 1,783,186</u>

**6. Commitments and Contingencies**

**Loan Guarantees**

The Presbytery is a guarantor on several loans taken out by churches operating in southern Louisiana. The loans are owed to the Presbyterian General Assembly with total monthly payments of approximately \$3,100 with various interest rates ranging from 4.75% to 5.5%. The terms of the loans range from 8 to 21 years. The Presbytery would be responsible for such loans should the corresponding churches be unable to satisfy such commitments. The Presbytery has pledged various pieces of property to mortgage as security on the loan guarantees. At December 31, 2011 and 2010, the outstanding balances on these loans totaled approximately \$464,000 and \$242,000 respectively.

**7. Endowment Disclosure**

The Presbytery holds three endowments which are held in trust at a local financial institution. No funds have been drawn from the endowments over the last two fiscal years. Appropriation of endowment assets for spending must be requested in writing to the trustee. The trustee has a committee to review all requests. For the years ending December 31, 2011 and 2010; endowed net assets were \$28,405 and \$28,346; respectively.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**8. Net Assets Released from Donor Restrictions**

The following restrictions were satisfied during the years ended December 31, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Ann Cook Campbell	\$ 15,000	\$ 3,000
Other Funds	22,279	3,833
Urban New Church Development	810	536
Feliciana Retreat Center - Worship Center	2,271	70,570
Young Adult Volunteer Fund	131,206	145,664
Hurricane Recovery Fund	2,138,233	1,622,561
	<u>\$ 2,309,799</u>	<u>\$ 1,846,164</u>

**9. Concentration of Credit Risk**

The Presbytery maintains its temporary cash investments with several qualified financial institutions operating primarily in southern Louisiana. The balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

**10. Investments**

The amortized cost and estimated fair value of investments held by the Presbytery as of December 31, 2011, were as follows:

	<u>December 31, 2011</u>			<u>Estimated</u>
	<u>Amortized</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Fair</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Value</u>
Mutual funds	\$ 693,043	\$ 43,231	\$ 6,868	\$ 729,406
Certificates of deposit	104,455	10,310	-	114,765
Equities	43,540	9,849	983	52,406
Corporate bonds	50,521	1,228	-	51,749
	<u>\$ 891,559</u>	<u>\$ 64,618</u>	<u>\$ 7,851</u>	<u>\$ 948,326</u>

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Investments (continued)**

The amortized cost and estimated fair value of investments held by the Presbytery as of December 31, 2010, were as follows:

	<u>December 31, 2010</u>			
	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
Mutual funds	\$ 711,690	\$ 49,354	\$ 2,871	\$ 758,173
Certificates of deposit	104,455	9,708	-	114,163
Equities	51,382	14,592	-	65,974
Corporate bonds	51,020	2,420	-	53,440
	<u>\$ 918,547</u>	<u>\$ 76,074</u>	<u>\$ 2,871</u>	<u>\$ 991,750</u>

**11. Disclosures about fair value of financial instruments**

The *Fair Value Measurements and Disclosures* topic of FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Presbytery has the ability to access.
- Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

Mutual funds: valued at the net asset value of shares held by the Presbytery at year end.

Certificates of Deposit: the carrying amounts reported in the statements of financial position for certificates of deposit approximate fair value because these assets are highly liquid.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**11. Disclosures about the fair value of financial instruments (continued)**

Common stocks: valued at the closing price reported on active market exchanges.

Corporate Bonds: the fair values are estimated based on quoted market prices for those investments in an active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Presbytery believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Presbytery's assets at fair value as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds			
Value	\$ 35,358	\$ -	\$ -
Blend	274,814	-	-
Growth	55,764	-	-
Bond	255,338	108,131	-
Certificates of deposit	114,765	-	-
Equities			
Value	11,159	-	-
Blend	41,248	-	-
Corporate bonds	51,749	-	-
	<u>\$ 840,195</u>	<u>\$ 108,131</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Presbytery's assets at fair value as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds			
Value	\$ 47,569	\$ -	\$ -
Blend	334,176	-	-
Growth	28,389	-	-
Bond	242,670	105,369	-
Certificates of deposit	114,163	-	-
Equities			
Value	14,929	-	-
Blend	51,045	-	-
Corporate bonds	53,440	-	-
	<u>\$ 886,381</u>	<u>\$ 105,369</u>	<u>\$ -</u>



**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. Operating Lease**

In 2010 the Presbytery entered into a lease for warehouse storage on a month to month basis for \$560 per month. For the years ended December 31, 2011 and 2010, rent expense incurred by the Presbytery under prior lease agreements was \$7,280 and \$8,486; respectively.

**13. Grants**

The Presbytery received a grant from the New Orleans Redevelopment Authority (NORA) on February 16, 2011 with reimbursement for qualified expenses up to \$500,000. The purpose of the program was to partner and collaborate with NORA to redevelop certain residential sites in and about the Gentilly Community of New Orleans, LA. The agreement was amended on November 4, 2011 to transfer the remaining grant funds to Project Homecoming, Inc. (see Note 15). The amount remaining on the grant as of December 31, 2011 was approximately \$225,000.

Presbytery of South Louisiana – Project Homecoming entered in to a contract with United Way for the Greater New Orleans Area for the reconstruction/rehabilitation of five homes in the New Orleans Area. United Way agreed to reimburse the Presbytery for qualified expenses up to \$260,467. The Presbytery was reimbursed \$125,999 during the year ended December 31, 2011. The contracts were completed in November 2011.

**14. Pending Litigation Status**

The Presbytery is currently a defendant in legal action brought by the Carrollton Presbyterian Church of New Orleans who claims the trust provision over property in favor of the Presbyterian Church USA set forth in the PCUSA Book of Order is unenforceable. Summary judgment was granted for the Carrollton Presbyterian Church; however, a motion for Suspensive Appeal was filed with the district court and denied and as a result, a writ application was filed with the Louisiana Supreme Court which was also denied. The Presbytery then filed a petition for certiorari with the Supreme Court of the United States, which was also denied in October 2012. In addition, Carrollton Presbyterian Church is claiming over \$300,000 in attorney's fees to sanction the Presbytery for defending the case. Management does not believe the claim for attorney's fees has merit and that Carrollton is not entitled to recover these fees. The district court still has not ruled on the request for sanctions filed by Carrollton Presbyterian Church or on the amount of any fees Carrollton may be entitled to for the motion to compel. The likelihood of a definitive judgment against the Presbytery on the claim for sanctions cannot be determined. However, it is likely that the Presbytery will be ordered to pay approximately \$6,000 in fees associated with the motion to compel.

**15. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 13, 2012, and determined that the following item requires disclosure. The Presbytery has negotiated the transfer of operations of Hurricane Disaster Recovery to Project Homecoming, Inc., with the transfer beginning in January 1, 2012 and completing on September 30, 2012. A three year lease was signed effective September 1, 2012, allowing Project Homecoming, Inc. use of the Volunteer Village. Certain assets and agreements of Hurricane Disaster Recovery were also transferred to Project Homecoming, Inc. in 2012, as outlined in the final memorandum of understanding. The final memorandum of understanding was signed between the Presbytery and Project Homecoming, Inc. on October 13, 2012.

**SUPPLEMENTAL INFORMATION**

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SUPPLEMENTAL INFORMATION**

**Other Revenues**

Other revenues earned during the years ended December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Meal revenues	\$ 85,604	\$ 85,178
Lodge revenues	112,405	111,173
Other	<u>14,434</u>	<u>15,103</u>
	<u>\$ 212,443</u>	<u>\$ 211,454</u>

**Program Service Expenses**

Program service expenses incurred during the years ended December 31, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Developing congregations	\$ 16,056	\$ 49,320
Committee on ministry	1,247	930
Nurturing congregations	63,052	84,288
Preparation for ministry	3,684	1,400
Strategy for Presbytery mission	188,826	239,899
Young Adult Volunteer Program	<u>97,526</u>	<u>93,552</u>
	<u>\$ 370,391</u>	<u>\$ 469,389</u>

**Support Services**

Expenses relating to support services consisted of the following during the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Communication expenses	\$ 4,688	\$ -
Finance expenses	12,500	10,175
Governing body expenses	12,000	165,194
Office staff expenses	73,636	54,593
Professional staff expenses	66,457	127,472
Office, travel, and other	59,888	98,589
Peace Church expenses	14,499	8,526
Feliciana Retreat Center expenses	54,451	53,499
Young Adult Volunteer expenses	21,779	16,112
Depreciation	<u>41,750</u>	<u>47,110</u>
	<u>\$ 361,648</u>	<u>\$ 581,270</u>

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SUPPLEMENTAL INFORMATION**

**Other Expenses**

Other expenses related to the operations of the Feliciana Retreat Center consisted of the following during the years ended December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Wages and benefits	\$ 91,600	\$ 105,485
Kitchen expenses	50,005	46,476
Utilities	17,099	19,633
Insurance	15,914	15,782
Maintenance and janitorial	13,554	17,300
Contract services	5,809	7,568
Telephone expenses	6,164	5,776
Office expenses	1,121	4,760
Other	17,644	7,784
	<u>\$ 218,910</u>	<u>\$ 230,564</u>

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SUPPLEMENTAL INFORMATION**  
**HURRICANE RECOVERY**  
**PRESBYTERIAN DISASTER ASSISTANCE**  
**YEAR ENDED DECEMBER 31, 2011**

**Revenues**

PDA Hurricane Recovery Grant Katrina/Rita  
Total PDA Grants

\$ 500,000  
500,000

**Operating Expenses**

Project Homecoming  
General Operations  
Presbyterian Community Outreach  
Total Operating Expenses

842,139  
157,056  
17,686  
1,016,881

Net Recovery revenues and expenses

\$ (516,881)

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**PRESBYTERY OF SOUTH LOUISIANA**  
**REPORTS ON INTERNAL CONTROL AND ON**  
**COMPLIANCE AND OTHER MATTERS**

**DECEMBER 31, 2011**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Council of the Presbytery of South Louisiana  
Baton Rouge, Louisiana

We have audited the financial statements of the Presbytery of South Louisiana and its Subsidiaries (the Presbytery) as of and for the year ended December 31, 2011, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Presbytery is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Presbytery's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the effectiveness of the Presbytery's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2011-1 to be a material weakness.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the accompanying schedule of findings as items 2011-2, 2011-3, 2011-4 and 2011-5 to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Presbytery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2011-3.

The Presbytery's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Presbytery's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of the Board of Directors, Management, federal and state awarding agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Pastlethurte, Natterville*

Baton Rouge, Louisiana  
December 13, 2012

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 2011**

**FINDINGS—Financial Statement Audit**

**2011-1 Internal Control Over Financial Reporting**

**Criteria:** The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Presbytery, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

**Condition:** As part of the audit process, we have always assisted management in drafting the financial statements and related notes for the year-end audit procedures. Because our involvement is so key to that process that is an indication that the internal control over year-end GAAP financial statements by the Presbytery is not sufficient. This is a repeat finding from the prior year.

**Cause:** During our work on net assets, we discovered that the Presbytery was accounting for revenues and expenses as direct entries to net assets. We assisted management in making reclassifying journal entries to correct the presentation of revenues and expenses to be in accordance with generally accepted accounting principles (GAAP).

**Effect:** The Organization has a material weakness in their internal control over financial reporting.

**Recommendation:** The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 2011**

**FINDINGS—Financial Statement Audit (continued)**

**2011-1 Internal Control Over Financial Reporting (continued)**

**View of Responsible Official and Planned Corrective Action**

Management acknowledges dependence upon the auditor selected by the Council (Board of Directors) for preparing the financial statements. Recommendations shall be presented to Presbytery (the Corporation) for preparation of the books beginning in 2013. It is acknowledged this will be a partial consolidation and that additional consolidations will be scheduled at a later date. Management shall continue to monitor each set of books on a monthly basis and assist the selected auditor with making a consolidated annual audit of all books.

Further, management acknowledges that accounting for revenues and expenses as direct entries to net assets is a deficiency inherited from a previous administration. Recommendations shall be made to Council (Board of Directors) and Presbytery (Corporation) for a new chart of accounts which will bring reporting of these revenues and expenses in line with Generally Accepted Accounting Practices and that the changes were implemented beginning in 2013.

**2011-2 Segregation of Duties**

**Criteria:** Internal control over financial reporting should include policies and procedures that ensure that controls over the accounting function are segregated to serve as a check and balance.

**Condition:** It was noted that proper segregation of duties is not in place specifically over the activities of cash receipts as the office administrator performs the duties of both handling cash and checks received by the Presbytery as well as recording and depositing these receipts into the accounting system. This is a repeat finding from the prior year.

**Cause:** Due to the limited number of personnel working for the Presbytery, many of the critical duties are combined.

**Effect:** The lack of segregation of duties in the accounting function constitutes a significant deficiency in their internal control over financial reporting.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 2011**

**FINDINGS—Financial Statement Audit (continued)**

**2011-2 Segregation of Duties (continued)**

**Recommendation:** A properly segregated accounting function includes segregation over the duties of access, recording and reconciling functions. We recommend that someone other than the office administrator open the mail and maintain a receipts log.

**View of Responsible Official and Planned Corrective Action**

Management acknowledges the deficiency in lack of segregation of duties created by the limited number of staff. This has been considered by Council (Board of Directors) and Presbytery (Corporation) previously and both bodies have accepted the deficiency given the limited staffing. It shall continue to be addressed and management shall continue to supervise these functions to prevent mishandling of funds.

**2011-3 Record Retention**

**Criteria:** Cash disbursements should be supported by adequate documentation to ensure that checks are issued for valid purposes and maintain documentation that complies with the Organization's policies.

**Condition:** As part of our auditing procedures, ten New Orleans Redevelopment Authority grant expenditures were selected for testing, reviewing for existence and completeness of the supporting documents. Management was unable to provide adequate support for one of the ten invoices selected for testing. Four of the ten invoices selected for testing didn't agree to the amount requested for reimbursement.

**Cause:** Due to turnover in the staffing during the year the Organization was unable to provide all of the supporting documentation.

**Effect:** The Organization has a significant deficiency in their internal control over record retention.

**Recommendation:** We recommend that a better system of document retention and file maintenance be implemented and that proper supporting documentation be kept on file for all grant reimbursement requests. This type of file maintenance is a basic element of a strong system of accounting procedures and related controls.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 2011**

**FINDINGS—Financial Statement Audit (continued)**

**2011-3 Record Retention (continued)**

**View of Responsible Official and Planned Corrective Action**

Management acknowledges this deficiency. This deficiency occurred in an office which was separated from the main office and which is now operated by a separate corporation. Management shall report this to Council (Board of Directors) and Presbytery (Corporation) with the recommendation that the newly formed separate corporation will be promptly advised of the situation and that corrective action be referred to that corporation.

**2011-4 Gift Cards**

**Criteria:** Internal control over financial reporting should include policies and procedures that ensure that controls are in place to record and track gift cards received during the year.

**Condition:** As part of our auditing procedures, regarding the existence and valuation of the gift cards donated to Hurricane Recovery, Management was unable to provide support. This is a repeat finding from the prior year.

**Cause:** The Organization did not maintain the gift card log throughout the year as required by their internal policies.

**Effect:** The Organization has a significant deficiency in their internal control over record retention related to the gift cards.

**Recommendation:** We recommend that a better system of documentation of gift card balances and expenses be implemented. An inventory count of gift cards periodically and at the end of the year is a basic element of a strong system of accounting procedures and related controls.

**View of Responsible Official and Planned Corrective Action**

Management acknowledges this deficiency. This deficiency occurred in an office which was separated from the main office and which is now operated by a separate corporation. Management will report this to Council (Board of Directors) and Presbytery (Corporation) with the recommendation that the newly formed separate corporation will be promptly advised of the situation and that corrective action be deferred to that corporation.

**PRESBYTERY OF SOUTH LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS**  
**YEAR ENDED DECEMBER 31, 2011**

**FINDINGS—Financial Statement Audit (continued)**

**2011-5 Timely Submission of the Financial Statement and Compliance Audit**

<b><u>Criteria:</u></b>	LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.
<b><u>Condition:</u></b>	The financial statements and compliance audits were submitted after the six month time frame.
<b><u>Cause:</u></b>	The Organization was unaware of the compliance requirements related to the grants received by Project Homecoming during the year.
<b><u>Effect:</u></b>	The Organization is out of compliance with the statute.
<b><u>Recommendation:</u></b>	The Organization should monitor and track all reporting and compliance requirements for grants received during the year. In addition, the Organization should submit their financial statements within the six month period in the coming fiscal year.

**View of Responsible Official and Planned Corrective Action**

Management acknowledges its failure to be aware of the compliance requirements related to the Fiscal Agent Agreement it executed with Project Homecoming, Inc. Management shall report this to Council (Board of Directors) and Presbytery (Corporation) at their respective next meetings. Management shall coordinate with the selected auditor to make every reasonable attempt to avoid late reports in the future. It is acknowledged that the timing of discovery of this deficiency may not allow on time filing of 2012 compliance audit reports in 2013, however, every effort shall be made to minimize the amount of time the filing is late.